



Douglas County Internal Audit

October 30, 2019

Douglas County Board of Commissioners
1819 Farnam Street, Suite LC2
Omaha, NE 68183

Attention: Mary Ann Borgeson, Mike Boyle, Jim Cavanaugh, Clare Duda, Marc Kraft,
PJ Morgan, and Chris Rodgers

Eric Carlson, Purchasing Agent
1819 Farnam Street
Omaha, NE 68183

Dear Commissioners and Mr. Carlson:

I have completed an audit of inventory management for the County. The purpose of the audit was to assess the adequacy and effectiveness of the controls currently in place over managing inventories at the County warehouse. The audit revealed that there were significant improvements in managing inventory levels and order issuance from the prior audit in 2014. Internal Audit, however, did identify opportunities for improvements that could be made to more effectively identify slow-moving items. Those findings and specific recommendations were presented in a separate memo that was issued to the County Purchasing Agent.

Background

Douglas County issued approximately \$2.3 million of supplies to County departments, offices and external entities. The value of the inventory on September 30, 2019 was approximately \$232,000. This compares to the December 2013 value of \$499,000 when inventory management was last audited. The 53% reduction in inventory investment is a substantial improvement achieved by selecting appropriate vendors and changing purchase order quantities and timing to take advantage of vendors' lead time reductions.

Objective

Specific objectives to be achieved by the audit included determining if management had policies and procedures in place to ensure that:

- Inventory was adequately safeguarded.
- Inventory records were accurate.
- Inventory was stocked and ordered at appropriate levels and times.

- There were procedures in place to identify and to dispose of obsolete and slow moving inventory.

Scope

The scope of the audit included an assessment of the policies and procedures in place from the period October 1, 2018 through September 30, 2019.

Methodology

The information used by Internal Audit was obtained through analysis of written policies and procedures, interviews, physical observations and data and reports obtained through the Oracle ERP system and Purchasing personnel. Along with an assessment of the policies and procedures as understood, tests were performed to verify the accuracy of system-produced data and adherence to departmental policies. The tests included but were not limited to the following steps below:

- System access listings were reviewed to determine if there was adequate segregation of duties over inventory functions.
- Physical counts were compared to reporting for on-hand quantities.
- Inventory balances and all transactions increasing or reducing quantities during the scope period were analyzed to assess policy adherence to achieve desired inventory levels and order quantities as well as to identify slow-moving or obsolete items.

Findings

There were no significant findings.

Audit Standards

Internal Audit conducted this audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. Those standards require that the audit is planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Internal Audit believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the audit objectives.

Internal Audit appreciates the excellent cooperation provided by Purchasing and Warehouse personnel. If you have any questions or wish to discuss the information presented in this report, please feel free to contact me at (402) 444-4327.

Sincerely,

Mike Dwornicki
Internal Audit Director

cc: Mark Rhine
Lenny Swanger
Inna Goldman
Patrick Bloomingdale
Diane Carlson
Joe Lorenz
Dan Esch
Sheri Larsen
Jodi Campbell
Amy Shreck
Colby Jensen